

Supplementary Testimony with Supporting Data and Calculations

Public Service Commission Docket # 2006-92-WS

Public Hearing on September 7, 2006
Public Service Commission of South Carolina
Columbia, South Carolina

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My name is Don Long. I reside at 14 Sunrise Point Court in Lake Wylie, South Carolina

As you know, a hearing was held by the South Carolina Public Service Commission (PSC) on June 12, 2006 at 6:30PM in the River Hills Community Church Life Center Gymnasium in Lake Wylie, SC. The subject of the hearing was PSC Docket # 2006-92-WS concerning the application by Carolina Water Service, Inc. (CWS) for rate adjustments in the Lake Wylie Franchise District (Lake Wylie) of York County, and in other CWS operations in South Carolina. I gave testimony at that hearing, a transcript of which is now a part of the record of this continuing hearing.

As requested by the Chairman of the PSC at the June 12 hearing, I am here to provide additional testimony which will hopefully enhance the Commission's understanding of our conclusions regarding the CWS Application.

An informal committee of local residents in the Lake Wylie area was formed in late 2005 when CWS announced its intention to file an application for water and sewer rate increases. The committee has had participation from individual residents and representatives of local homeowners associations, schools and churches, and businesses. The purpose of forming the committee was to provide a common point in the community for collecting information and for developing a position regarding the CWS application. I have participated in all the deliberations of the committee and am, therefore, aware first-hand of the committees' activities and its conclusions. However, because the committee has no formal charter or bylaws, no dues, and no membership roll, I am here testifying as an individual.

Financial and customer base information specifically related to Lake Wylie was not available in the CWS Application nor, despite several requests from our elected representatives, was it forthcoming from the Office of Regulatory Staff (ORS). The committee, therefore, was faced with doing the best it could with other public sources of information. From this information, the committee developed conclusions regarding the status and growth of the Lake Wylie Franchise District and the likely financial position of CWS in its Lake Wylie operations. I'll attempt today, in some detail, to describe the analytical process and calculations used to develop what I believe is a reasonable and supportable set of conclusions with respect to the appropriateness of the CWS application.

The basic conclusions of the analysis are:

1. The customers of CWS in Lake Wylie are significantly and unjustifiably subsidizing the operations of CWS in other parts of South Carolina despite there being no apparent operational synergy or other valid reasons for this being so.
2. The operations of CWS in Lake Wylie are already generating a very high rate base rate of return in excess of 33.5%.
3. The proposed rates would increase CWS's rate base rate of return in Lake Wylie to nearly 40% which is over 4.6 times the 8.54% rate base rate of return being requested by CWS statewide.
4. The proposed rates provide CWS a rate base rate of return in Lake Wylie in excess of 5 times the 7.64% rate of return for which two other Utilities, Inc. subsidiaries in South Carolina, Tega Cay Water Service, Inc. and United Utilities, Inc., have recently agreed to settle.
5. If the proposed rates are approved, CWS customers in Lake Wylie would be paying rates which amount to a 54.5% premium over virtually identical services offered by at least five (5) other comparably sized neighboring service providers in York County.
6. For all these reasons, the CWS request for a rate increase as currently structured should be denied. Lake Wylie should be separated, for rate determination purposes, from the remainder of CWS's South Carolina operations. Rather than being increased, the current rates related to Lake Wylie should be reduced so as to produce a reasonable rate base rate of return.

CWS's latest rate filing (PSC Docket # 2006-92-WS) with the PSC on March 27, 2006 lists the size of their statewide customer set as of 09/30/04, 09/30/05, and estimated for 09/30/06. It's not clear whether these numbers represent customer bills or number of customers as measured Single Family Equivalent (SFE) units, but the assumption is that it represents customer bills. The numbers provided in the filing are as follows: We have added the percentage year-to-year increases.

Water Customers:

	<u>Number</u>	<u>% Increase</u>
09/30/04	7226	
09/30/05	7431	2.8%
09/30/06 (Est.)	7642	2.8%

Sewer Customers:

	<u>Number</u>	<u>% Increase</u>
09/30/04	11800	
09/30/05	11973	1.5%
09/30/06 (Est.)	12149	1.5%

By my count, CWS currently has 2,820 residential customers and 154 commercial customers for water and/or sewer service within the Lake Wylie Franchise District. 61 of the residential customers have only water service. I estimate that, of the 829 residential units under construction or reflecting firm plans, at least 10 will be completed by the end of September, **thus making the CWS customer total for the Lake Wylie Franchise District 2,984 customers as of 09/30/06. At that time, Lake Wylie will represent 39.0% of the CWS water service customers in SC and 24.1% of the CWS sewer service customers in SC.** The Lake Wylie system is one of 32 systems operated by CWS in South Carolina. In Lake Wylie, "water service" involves only water distribution and "sewer service" involves only sewage collection. The water provision, sewage processing, and transportation from the provider and to the processor are provided by an operating department of York County. It's not known how this compares to the other CWS systems.

Water and Sewer Companies file with the SC Department of Revenue (DOR) an annual "Property Tax Return" (DOR Form PT-139) for each county in which they operate. A statement on the DOR form indicates that "reconcilable" information is provided to the PSC in the companies' Annual Report to the PSC. The DOR form includes reporting of 17 separate line items including land, buildings, reservoirs, wells, mains, meters, hydrants, pumps, donated system components, shop equipment, office equipment, etc. showing both original cost and depreciated value. This appears to be equivalent to the data presented in the balance sheets in the rate relief application as making up "plant-in-service". From this filing, the DOR derives the assessed value of the company's taxable real and personal property (not including vehicles). **For 2005, the assessed value for CWS reported to York County by the SCDOR on their "Utilities Supplemental Certification" was \$212,480. This represents an assessment ratio of 10.5% of appraised value. This, in turn, on the York County Property Tax bill for Carolina Water Service, Inc. for 2005, translates to an appraised value of the assets of CWS in York County at the end of 2005 of \$2,023,619.** With a tax levy rate of 269.7 mills, CWS's York County Property Tax Bill for 2005 was \$57,305.66. While we are unable to estimate what additions may occur during 2006, most would likely be in the nature of "Contributions in Aid of Construction" which would not be included in the rate base.

In their most recent application filing (2006-92-WS) with the SC Public Service Commission (PSC), CWS provides in Schedule A on page 1 of Exhibit "B", a balance sheet as of September 30, 2005. This balance sheet shows the depreciated value of "Plant in Service" including "Construction Work in Process" and net of "Plant Acquisition Adjustments" to be \$34,251,258. The depreciated assets reported to the DOR as being located in York County represent only 5.9% of the total depreciated personal and real assets of the company in SC, not including vehicles.

It appears, therefore, that CWS, may be generating over 30% of their statewide water service revenue and over 20% of their statewide sewer service revenue from the Lake Wylie Franchise District in York County, utilizing less than 6% of their plant and equipment to do so.

To calculate the rate base rate of return which CWS appears to be achieving currently in Lake Wylie and which it appears to be requesting for the future in Lake Wylie requires first deriving the revenue and expense involved in

order to produce an annual net operating income and then to compare this figure on a percentage basis to the rate base. The rate base is derived from the plant-in-service and other assets from the balance sheet, less depreciation and contributions in aid of construction. Again, it has been necessary to do this without the assistance or cooperation of CWS or the ORS using otherwise publicly available information.

CWS has proposed rates as follows: (Note that these rates do not include York County surcharges related to the County's provision of water, transportation of water and sewage, and processing of sewage.)

Water: (Distribution Only)

Basic Facilities Charge: \$11.61 per month. (Commercial varies with meter size from \$11.61 to \$290.20).
Commodity Charge: \$2.03 per 1,000 gallons.

Sewer: (Collection Only)

Residential: \$27.30 per unit.
Commercial: \$27.30 per SFE (Single Family Equivalent)

The following revenue estimates assume 7,500 gallons of water usage per month (approximately 250 gallons per day) per customer unit, and assume (conservatively) the minimum meter size for commercial customers. The 7500 gallons takes into account a probable residential use of about 6,000 gallons including a number of separate irrigation meters, and the, in some cases, much higher usage attributable to many commercial customers. For example, YMCA Camp Thunderbird is billed for an average of approximately the equivalent of 70 single family residences water usage monthly. The Crowders Creek School is billed for an average of about the equivalent of 12 single family residences. The estimated water service revenue from the Lake Wylie Franchise District under the proposed rate structure would be:

Water:

2,984 customers:

Basic Facilities charge monthly:	\$ 34,644
Commodity charge @ 7,500 gallons	<u>\$ 45,431</u>
Total	\$ 80,075

Assuming 2,830 current residential customers less 61 residential water-only customers plus 154 commercial customers (at an average of 4 SFE per commercial customer = 616 SFE), for a total of 3385 SFE, the estimated sewer service revenue from the Lake Wylie Franchise District under the proposed rate structure would be:

Sewer:

2,769 Residential Customers:	\$ 75,594
616 Commercial SFE's	<u>\$ 16,817</u>
Total	\$ 92,411

This produces an estimated monthly total revenue from the Lake Wylie Franchise District combined water and sewer operations of \$172,486 based on the customer set as of 09/30/06. Current growth rates would indicate at least 200 additional customer units per year (combined residential and commercial) or an average of 100 units of revenue during the first year of the proposed rates. This adds \$5,780 per month during the first year of the proposed rates bringing monthly revenue to \$178,266, or \$2,139,192 annually. Non-recurring charges for new connections and account initiation fees will add about \$141,350 annually (100 new water connections @ \$700 each plus 100 new sewer connections @ \$700 each plus \$13.50 for each new account creation) (Using the average number of customers connected understates non-recurring revenue by between \$150,000 and \$200,000 per year). Without any consideration for multiple SFE's for commercial customers, this brings annual revenue to approximately \$2,280,542.

Schedule “B” of Exhibit “B” in the CWS Rate Filing (page 2 of 18) calculates the Pro Forma Proposed Total Operating Revenues of CWS throughout South Carolina at \$ 7,675,866. **The above estimated revenue of \$2,280,542 from the Lake Wylie Franchise District is 29.7% of the Pro Forma Proposed Total Operating Revenues for all of CWS’s operations in South Carolina.**

Per their application filing, Pro Forma Proposed Total Operating Expenses for CWS throughout South Carolina are \$6,056,607. **Assuming that the Lake Wylie Franchise District generates the same percentage (29.7%) of Pro Forma Total Operating Expenses as it does Revenue, Lake Wylie would be responsible for \$1,799,450 in operating expense.** (Intuitively, it would seem that we’re probably overstating CWS’s costs because of the limited nature of the CWS involvement in the overall process of water provision and distribution and sewer collection and processing. Thus, these expense figures may be substantially higher than actual with the resulting net income significantly lower than actual as a result. In other words, CWS may be making a good deal more in Lake Wylie than this conservative analysis shows).

The Lake Wylie Franchise District is assumed to produce the same percentage (29.7%) of the statewide Pro Forma Proposed Net Operating Income of \$1,619,259. **This equals \$480,920 Annual Net Operating Income from the Lake Wylie Franchise District combined water and sewer operations.**

In its Rate Relief filing, CWS is proposing a Rate Base Rate of Return of 8.54%. This is calculated from the Pro Forma Proposed Net Operating Income of \$1,619,259 on a Pro Forma Proposed Rate Base of \$18,963,911 (See Schedule “C” of Exhibit “B” (page 6 of 18)). The primary adjustment to “Plant-in-Service” of \$34,251,258 (see above) is an adjustment removing “Contributions in Aid of Construction” (donated plant) from the “Plant-in-Service”. This adjustment is \$15,211,431, or 44.4% of the “Plant-in-Service”, leaving 55.6% of the plant-in-service assets as being the rate base. Since Lake Wylie has a good deal of new water and sewer system which has been donated to CWS, it seems fair to assume that, conservatively, this same percentage would apply to the Lake Wylie portion of CWS’s statewide system. **According to CWS’s filing with the SC Department of Revenue, the CWS “Plant-in-Service” in CWS in Lake Wylie is \$2,023,619 as shown above. Removing 44.4% of the “Plant-in-Service” to accommodate “Contributions in Aid of Construction” would leave a Rate Base from local property taxable assets of approximately \$1,125,132 for the Lake Wylie Franchise District. To this we have added an allowance of an additional 10% for out-of-county assets which may properly be in the rate base but which are not among the assets reported to York County for local property tax purposes, making the Lake Wylie rate base equal to \$1,237,645.**

The \$480,920 in Annual Net Operating Income calculated above for the Lake Wylie Franchise District earned on a Rate Base of \$1,237,645 produces a Rate Base Rate of Return of 38.9%.

A like analysis utilizing current rates shows that CWS is currently earning \$415,949 in Annual Net Operating Income in Lake Wylie. This indicates that Lake Wylie is already producing a 33.6% Rate Base Rate of Return for CWS.

Thus, given that the above analysis is reasonably correct (and we believe we have erred substantially on the side of a conservative analysis), and if the rate request of CWS is approved, **it appears that the Lake Wylie Franchise District system will produce for CWS nearly 4.6 times the rate base rate of return which CWS has requested for the entire system.** This means that the proposed rate structure produces nearly 4.6 times the rate base rate of return which is even remotely justifiable. To produce the requested 8.54% rate of return on the rate base for the Lake Wylie Franchise District (equal to Annual Net Operating Income of \$105,694), it appears that Annual Net Operating Income should be reduced by 78% from what is being requested, and the rates charged adjusted accordingly.

Additionally, Utilities, Inc. subsidiaries in Tega Cay, SC (Tega Cay Water Service, Inc.) and in Greenville, SC (United Utilities, Inc.) along with the ORS have recently proposed settlements involving similar rate relief applications with a rate base rate of return of 7.64%. This rate of return would make the proposed rates in Lake Wylie over 5.1 times what the ORS and Utilities, Inc. apparently believe is a fair rate base rate of return. This would indicate that rates should be reduced to a level that would produce Annual Net Operating Income of \$94,566, or 80.3% below what is being requested.

Therefore, the Lake Wylie Franchise District appears to be significantly and unfairly subsidizing the remainder of the CWS systems in South Carolina, and, in the process charging substantially more for services in Lake Wylie than can be reasonably justified. It appears that, for the purpose of rate determination, the Lake Wylie Franchise District should be immediately separated from the remainder of the CWS system in South Carolina. The rates charged by CWS for its portion of the overall water and sewer system in the Lake Wylie Franchise District should be reduced substantially to result in an approximately 80% reduction in Annual Net Operating Income from that proposed with the proposed rates adjusted accordingly. This appears necessary in order to make those rates fair and equitable based on the Rate Base being utilized coupled with the requested Rate Base Rate of Return. This, of course, assumes that the requested 8.54% rate base rate of return is considered fair. The recent settlements by Utilities, Inc. subsidiaries in Tega Cay and Greenville indicate that 7.64% may be a more appropriate rate of return.

Also, the average monthly cost of residential water and sewer service for an average residential usage of 6,000 gallons of water in the five nearby water and sewer service districts of comparable size (TCWS, TCUD, YCWSS, City of York, and Town of Clover) is \$66.63 (See below). Based on the proposed rates, CWS customers in the Lake Wylie Franchise District will be paying \$102.96 monthly for the same 6,000 gallon level of water service and accompanying sewer service. This is a premium of 55% above the five nearby districts for equivalent service. This seems unfair and unreasonable, particularly considering the comparability of the service provided and the relative sizes of the systems involved.

It should be noted that, even when separated from the remainder of the CWS systems in South Carolina, the Lake Wylie Franchise District system in York County, in terms of customer base, is over 65% larger than Tega Cay Water Service, Inc., and 95% larger than United Utilities, Inc., which are other subsidiaries of Utilities, Inc. in South Carolina. Also, after removing the Lake Wylie Franchise District system, the remaining customer base of Carolina Water Service, Inc. in South Carolina would still retain over 60% of its water customers and 75% of its sewer customers and, overall, would be roughly 35% larger than the Lake Wylie Franchise District system, over twice the size of Tega Cay Water Service, Inc., and over three times the size of United Utilities, Inc.

	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Fair Rates**</u>
<u>WATER:</u>			
Basic Facilities Charge:	\$ 10.25	\$ 11.61	\$ 8.60
Commodity Charge / 1,000 Gallons:	1.90	2.03	1.60
<u>SEWER:</u>			
Basic Facilities Charge:	\$ 23.47	\$ 27.30	\$ 19.65
Average* Customer Monthly Charge:	\$ 47.97	\$ 54.13	\$ 40.25
Rate Base Rate of Return:	33.61 %	38.86 %	7.64 %
Increase / Decrease from Current Rates:	0.00 %	+13.11 %	-16.09 %

* 7500 gallons water usage per customer for both residential and commercial customers.

All commercial meters 5/8"

Based on 3,124 CWS LWFD customers at mid-first-year of new rate schedule (03/31/07)

Four (4) SFE per commercial sewer customer.

** Based on unaudited, but apparently reasonable, financials derived for CWS operations in Lake Wylie, and a rate base rate of return of 7.64% equal to that agreed to in recent Utilities, Inc. (parent of CWS) subsidiary settlements in Tega Cay and Greenville. These figures were developed without the assistance or cooperation of CWS or the ORS, and should be supplemented with audited CWS financials and projections

for Lake Wylie when and if such figures are made available by CWS. It is our feeling that this will justify even greater reductions in the “fair rates” shown in order to achieve a truly fair rate base rate of return in Lake Wylie.

At least five (5) other water and sewer systems of similar size are operating within York County in close proximity to the LWFD. For comparable service, the average charges from these five systems are much lower than the existing or proposed CWS rates. For the use of 6,000 gallons of water and the normal resulting complement of sewage, the rates and total numbers of customers are:

	<u>Charges: Per Rate Schedule</u>	<u>Number Of Customers</u>	<u>Premium Paid In LWFD</u>
LWFD (Proposed)	\$102.96	2984	-
York County Water & Sewer Service (YCWSS):	67.24	5000	53.1%
Tega Cay Water Service (TCWS):	75.80	1800	35.8%
Tega Cay Utility Department (TCUD):	58.90	2500	74.8%
City of York:	61.06*	2855	68.6%
Town of Clover:	70.16	1900	46.8%
*Includes weekly garbage pickup			
Average of 5 Non-LWFD Systems:	\$ 66.63	2811	54.5%

These systems share many similarities with LWFD:

- YCWSS uses the same source of water and sewage processing (City of Rock Hill) as LWFD. In the case of developments such as Bethelfields, the same pipes are used.
- TCWS uses the same source of water as LWFD (City of Rock Hill). The portion of Tega Cay served by CWS has three (3) small sewage processing plants which discharge into Lake Wylie.
- TCUD uses the same source of water and sewage processing as LWFD (City of Rock Hill). This portion of the Tega Cay systems is operated by the Town of Tega Cay.
- The City of York has its own water source and sewage processing facility operated by the City of York
- The Town of Clover obtains its water from Gastonia, NC, and has its sewage processed by Gastonia.

The average monthly cost of residential water and sewer service for residential usage of 6,000 gallons of water in the five surrounding districts (TCWS, TCUD, and YCWSS, York and Clover) is \$66.63. CWS customers in the Lake Wylie Franchise District are paying \$102.96 monthly for the same level of water and sewer service, This is a premium of 54.5%. This seems unfair and unreasonable, particularly considering the similarity of the service provided and the similar sizes of the systems involved.

We believe the CWS customers in Lake Wylie are owed several explanations:

- 1. We would like to understand why we are paying over 50% more than our immediate neighbors for the same water and sewer services delivered to directly comparable numbers of customers, often through the same pipes.**
- 2. We would like to know why, while our water and sewer service provider has been granted an effective public monopoly in our area, we, the public, cannot gain access to any meaningful information about the status or fairness of what we are being told – not asked - that we must pay for these services.** Having water and sewer services is not an option like cable TV or cell phone service. In many areas, including ours in Lake Wylie, water and sewer services share with electricity the characteristic of being services which, as a practical and even legal matter, you can’t do without. I’m not suggesting the situation should be otherwise. Yet others should not be allowed to take undue advantage of the situation.
- 3. We would like to understand why the public agencies which we support with our tax dollars – the Public Service Commission and the Office of Regulatory Staff - seem powerless to obtain meaningful audited**

information about the operations of this public monopoly. The Legislature has confirmed that the ORS has the duty to “represent the public interest of South Carolina (i.e. the interests of the people) before the (Public Service) Commission”. In recent correspondence relating to this PSC Docket, the ORS has not only accepted, but has asserted it has the exclusive responsibility to obtain and present to the PSC the information necessary for the PSC to evaluate the public position with respect to such applications. We have expressed on at least five separate occasions directly and/or through our elected representatives our desire to receive information about the CWS operation in Lake Wylie in sufficient detail to properly evaluate the current application. The PSC has formally and publicly expressed “concerns about the sufficiency of the information provided in the Company’s application” which mirror our requests. **The ORS has sent three “Continuing Data Requests” to CWS since the filing of the application in March, yet none of them have included a request for data which would allow a reasonable assessment of the validity of the application with respect to Lake Wylie.**

4. The applicant, Carolina Water Service, Inc., is, as a practical matter, a publicly endowed monopoly. We do not understand how such an entity can, with apparent impunity, withhold and/or deny the availability of information which is logically necessary to evaluate their requests for more revenue from their monopoly’s operations. We believe it is disingenuous of CWS to claim that it doesn’t have, can’t provide, and shouldn’t need to provide information on separate and distinct individual service areas to which it provides water and/or sewer service. It’s parent, Utilities, Inc., is a national corporation with, according to its web site, over 300,000 customers in 17 states. It has a wholly-owned subsidiary, Water Services Corporation, which provides its operating subsidiaries with “management, administration, accounting, billing, and data processing services” among other things. Utilities, Inc. has 400 employees. Water and sewer services are among the most geographically distinct utility services available. All the customers of CWS in Lake Wylie are within the 29710 zip code. None of CWS’s other customers in South Carolina are in that zip code. None of the major “permanent” assets utilized in Lake Wylie are also employed in other CWS operations. Formulas for allocation of corporate overhead aren’t likely to vary based on factors difficult to identify within such an area. And yet they can’t identify the balance sheet, income and expense statement and customer set for their operations in York County, SC. This seems much more like “Won’t” rather than “Can’t” provide the information. And won’t provide it because it may show that, because of a complete lack of synergy with the rest of CWS’s operations, the Lake Wylie customers are being grossly overcharged.

5. While we have been frustrated in our attempts to obtain through the ORS what we believe is a necessary and desirable level of detail about the status, financial operations, and customer set of Carolina Water Service, Inc. in the Lake Wylie Franchise District, we have developed, with publicly available information from other sources, what we believe is a reasonable set of conclusions about the validity of the current rate relief application known as PSC Docket # 2006-92-WS. Primary among those conclusions are:

A. Customers of Carolina Water Service, Inc. in the Lake Wylie Franchise District of York County are unjustifiably and significantly subsidizing the operations of CWS in other areas of South Carolina.

B. Customers of Carolina Water Service, Inc. in Lake Wylie are being proposed to pay rates for water and sewer service which reflect a 54.5% premium over virtually identical services provided by comparably sized providers in adjacent service areas in York County.

C. Carolina Water Service is currently generating a rate base rate of return in Lake Wylie of 33.6%. This is nearly 4 times the rate of return they are proposing statewide and 4.4 times the rate of return they have settled on in Tega Cay and Greenville.

D. Carolina Water Service is proposing increased rates which would generate a rate base rate of return in Lake Wylie of 38.9%. This is 4.6 times the rate of return they have proposed statewide and over 5 times the rate of return they have settled on in Tega Cay and Greenville.

E. Intuitively, the actual rate base rate of return in Lake Wylie is and will be even higher than those we have been able to reasonably derive from publicly available data. A substantial portion of the plant-in-service assets in the District are over 30 years old and likely fully depreciated, reducing the rate base and increasing the rate of return on the rate base remaining.

F. There is no operational synergy between CWS's Lake Wylie system and the other systems owned by CWS in South Carolina. For purposes of rate determination, the Lake Wylie system should be immediately separated from the remainder of the CWS systems in order to provide the customers in Lake Wylie with fair and equitable rates. Current rates should be reduced, not increased.

We would ask the following of the Public Service Commission:

1. The application of Carolina Water Service, Inc. for increased rates in South Carolina should be denied. The PSC has indicated that it is concerned about the sufficiency of the information presented in the application with respect to PSC's ability judge the application on that basis. We are convinced that, without specific, audited information regarding individual operational systems within the CWS network, the rates being charged and proposed to be charged are unfair and inequitable to the customers in Lake Wylie and, possibly, in other areas served by CWS. The unfairness stems from the subsidization of some areas by others where no operational synergy or other practical reason exists for the combining of operations for rate setting purposes.

2. We believe that our analysis of and conclusions regarding the current and proposed rate structure are reasonable. Since our analysis, despite several requests, was done without meaningful assistance or cooperation from CWS or the ORS, we believe we are entitled to know whether there is agreement from the ORS and the PSC with our conclusions.

If there is not agreement, then we believe we are entitled to know, in detail, why there is not agreement, and to have additional time to analyze and comment on those conclusions before any rate increase is approved.

If there is agreement, we believe that the PSC should direct that the Lake Wylie Franchise District be immediately separated from the remainder of CWS's operations in South Carolina for purposes of rate determination, and that the CWS application be amended or re-filed to reflect that change. We can see no reasonable justification for consolidation regarding rate determination other than to place the citizens of the Lake Wylie Franchise District in the position of substantially subsidizing other marginal and/or inefficient CWS operations in areas which are geographically remote from Lake Wylie, and which have no operational synergy with the Lake Wylie operations. This is an inequitable arrangement which we believe is unfair and unjustifiably costly to the citizens of the Lake Wylie community who are customers of Carolina Water Service, Inc.

Thank you for your time and attention.

Attachment “A”
DEVELOPMENTS IN LAKE WYLIE FRANCHISE DISTRICT
September 1, 2006

This is a list of developments and an aggregate number for commercial entities in the Lake Wylie Franchise District of Carolina Water Service (CWS). The “Commercial” entry (*) includes some 82 separate commercial buildings in which the 152 CWS commercial customers operate. The primary sources of the information are the York County GIS system on the internet and personal observation.

	Completed Homes (CWS)	Homes (CWS) Planned or Building	Completed & Planned Homes (Non-CWS)	CWS Customer
River Hills	1105			Yes
Autumn Cove	214	45		Yes
Autumn Cove TH	92	20		Yes
Catawba Crest			64	No
Masons Crossing			54	No
Tioga Point			52	No
Forest Oaks	252			Yes
Harpers Mill	91	59		Yes
Mill Creek Falls	87	366		Yes
Lake Wylie Woods	44			Yes
Hamilton’s Bay	265			Yes
Village @ Lake Wylie	398			Yes
Blucher Circle			18	No
WaterLynn**	19			Yes
The Coves**	11	26		Yes
Carolina Coves**	31	19		Yes
The Landing	211	16		Yes
Lk. Wylie Mobile HP			345	No
Patriot’s Crossing			39	No
Patrick Place			41	No
Landing Town Homes		50		Yes
Stateline Road			27	No
Fewell Road, Lakedale			95	No
Harpers Green		97		Yes
Valley View, Hidden Oaks			54	No
Evergreen Lake Forest		65		Yes
Willow Pond			42	No
Island Forks, River Oaks			81	No
Heron Cove		66		Yes
Bonum, Bucleigh			70	No
Oakridge, Hayrow			149	No
Montgomery Road			50	No
Carroll Cove			12	No
Riverfront, Evergreen			53	No
Ole Home			8	No
Kreps Road			61	No
Bethel School Road			20	No
Highway 55			22	No
Lake Wylie Road			134	No?
*Commercial Users	154	60		Yes
Total	2974	889	1491	

** Developments with water distribution service only (no sewer).

